

Overview

The natural gas industry and markets experienced a number of key changes during 2001. After two years of increase, consumption declined in 2001 in all sectors except electric power. Production and net imports increased by 716 Bcf, but much of this supply was added to storage. Prices were generally higher in 2001 compared with previous years. The average wellhead price was \$4.02 per thousand cubic feet (Mcf), which is 9 percent above the 2000 level and 84 percent above the 1999 level. However, wellhead prices declined throughout the year.

Beyond the changes in market activities, the 2001 data reflect recent changes in the industry accounting employed by the Energy Information Administration (EIA). EIA has reclassified gas use in the electricity sector to reflect today's less regulated energy market. Regulatory reform in both natural gas and electricity markets during the 1990s introduced a number of changes that the old data system did not address well. Key among these changes was the shift in electric power generation from a strictly regulated industry to one in which nonregulated companies hold a major and expanding share of the market.

The previous data system reported consumption data by major consuming sector, which was based on customer type: residential, commercial, industrial consumers, and

electric utilities. Over time, electric generation from nonutility power producers, or non-utility generators (NUGs), became the source of large amounts of electricity. Natural gas use for power generation by nonutility power producers was included mainly in the industrial sector in previous editions of the *Natural Gas Annual*.

In the new data system, EIA has combined gas use by nonutility power producers with that of electric utilities to represent gas use for all electric power generation, where the primary intent of that power is for sale in the market. Gas use by commercial or industrial plants in combined heat and power (CHP) applications is included with the commercial and industrial sectors. The reallocation of a significant volume of gas from the industrial to the electric power sector and the use of a new data source for nonutility gas consumption alters the face of the industry and markets suggested by the data. Industrial sector consumption appears less than it would be in the previous accounting, and natural gas for electric power generation exceeds the levels used by electric utilities alone.

The new accounting system yields estimated total natural gas consumption that is approximately 5 percent greater than previously estimated for 2001. This results primarily from the much larger estimate for natural gas delivered to

Figure 1. Natural Gas Consumption by Sector, 1997-2001

